



2013 International Narcotics Control Strategy Report (INCSR)

Bureau of International Narcotics and Law Enforcement Affairs

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Argentina

Volume I: Drugs & Chemical Control

I. Summary

Argentina

A. Introduction

While Argentina continues to be a transit country for Andean-produced cocaine, domestic cocaine production and consumption are growing problems. Argentine officials believe there is increased transit through Argentina as a consequence of intensive counternarcotics efforts in Mexico and Colombia, forcing drug traffickers to utilize other routes to international markets. In June, after a year's hiatus, the Ministry of Security (MOS) allowed the U.S. Drug Enforcement Administration (DEA) to resume limited operations in Argentina.

Marijuana, the bulk of which is imported from Paraguay and used for domestic consumption, continues to be the most abused illegal drug in Argentina. Cocaine remains the leading illegal drug for which Argentines seek help at treatment centers, and the use of cocaine base, known locally as "paco," remains a problem among the poor. Many Argentines believe that violent crime linked to drug trafficking and consumption is increasing. Argentine authorities made significant efforts in 2012 to reduce narcotics trafficking in the urban slums of Buenos Aires.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Security Minister Nilda Garre continued to implement reforms designed to improve police performance, but insufficient coordination among federal and provincial law enforcement agencies continued to hamper Argentina's effectiveness in combating drug trafficking. The appointments of a new leader of the Secretariat of Planning for the Prevention of Drug Addiction and Drug Trafficking (SEDRONAR), a new Deputy Security Minister, and the replacement of the MOS' Under Secretary for the Investigation of Organized and Complex Crime facilitated greater cooperation between the security forces and international partners, including DEA. Backlogs in the judicial system continued to complicate the prosecution of drug traffickers. Two complicating factors are the incomplete move from an inquisitorial system to an accusatorial system at the national level, and the lack of specialized alternative mechanisms, such as drug courts. The SEDRONAR Secretary served as the President of the Organization of American States' until November.

Operation Northern Shield, an effort to deter illegal flights and illicit drug trafficking through improved radar coverage of the air space along Argentina's northern border, was only partially implemented in 2012. Its centerpiece is the planned installation of seven 3D radars, only one of which was operational as of November 2012. The reduction of Argentine Border Guard forces along the borders with Bolivia may have eroded the government's ability to interdict cocaine shipments from Bolivia. An October labor strike by public security forces protesting wage cuts, and the increased use of federal security forces for urban policing in Buenos Aires, including units re-deployed from border zones, may have reduced overall operational effectiveness of Argentina's security forces to combat drug trafficking.

Despite the Supreme Court's 2009 recommendation against imposing criminal penalties for the personal possession of small amounts of marijuana, Argentina's Narcotics Law 23.737 has not been modified. Several late 2011 and early 2012 legislative bills proposing the decriminalization of marijuana (and in some cases other drugs) failed to advance in the lower house of the Argentine Congress. According to opinion polls, approximately 65 to 70 percent of Argentines oppose decriminalization, and a consensus around the need to first formulate a National Addiction Plan is growing.

2. Supply Reduction

The MOS estimates that Argentine security forces seized approximately 3.4 metric tons (MT) of cocaine from January through June 2012. The six-month total exceeds the 3.2 MT that the MOS estimates officials seized during the first six months of 2011, but represents a sharp decrease from the estimated 12 MT of cocaine Argentine authorities seized in 2010. Furthermore, the UN Office on Drugs and Crime (UNODC), using data provided by the Government of Argentina, estimated that Argentina seized 12.1 MT of cocaine in 2008 and 12.6 MT of cocaine in 2009. Government constraints on DEA operations within Argentina may have contributed to the decrease in cocaine seizures from 2010 to 2012. In October 2012, Argentine and Colombian law enforcement officials coordinated with DEA to successfully capture one of Colombia's most wanted drug traffickers.

Most Andean cocaine transiting Argentina is smuggled across the Bolivian-Argentine border and is primarily destined for Europe. The seizure of increasing numbers of cocaine production facilities, as well as the widespread availability of paco, suggests that domestic production of cocaine in Argentina, though small, is growing. There is no widespread cultivation of coca leaf for the production of cocaine in Argentina; domestic production appears to use imported coca paste, known as "pasta base."

3. Drug Abuse Awareness, Demand Reduction, and Treatment

According to the 2011 UNODC World Drug Report, Argentina had the highest prevalence of cocaine use (2.6 percent) among 15-to-64 year-olds in South and Central America. Argentine officials, however, estimate annual prevalence of cocaine use at 0.9 percent of the population. Fueled by reported seizures, there is growing concern about rising use of synthetic drugs by Argentine youth. The abuse of paco is another growing public concern. Paco is readily available on the streets, costs approximately \$1.50 a dose, and produces a brief, intense high when smoked in pipes or mixed with tobacco. While there is no effective centrally coordinated strategy to treat drug addiction nationwide, Congress tabled a draft National Anti-Addiction Plan in October 2012.

4. Corruption

The Government of Argentina neither encourages nor facilitates the illicit production or distribution of narcotics, psychotropic drugs, or other controlled substances, or the laundering of proceeds from illegal drug transactions, and there is no evidence to suggest senior government officials are engaged in such activity. An independent judiciary and an investigative press actively pursue allegations of corrupt practices involving government authorities. During the course of 2012, Argentine officials accused several security force members, including high-ranking officers, of either trafficking significant amounts of cocaine and/or marijuana or protecting drug trafficking organizations.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

Limited counternarcotics cooperation between DEA and Argentine security forces resumed in June, ending a year-long hiatus following the Argentine Customs' confiscation of sensitive U.S. military cargo at the Buenos Aires international airport in February 2011. In response to MOS requests, the United States resumed information sharing and offered a limited number of counternarcotics trainings and seminars designed to enhance the capabilities of Argentine security forces, including maritime enforcement training. The MOS continued to discourage U.S. cooperation with provincial security forces, thereby limiting efforts to improve provincial counternarcotics capabilities.

D. Conclusion

Though the Government of Argentina worked to improve aspects of the country's drug control effort, the slow process of implementing operational reforms and re-allocating sufficient domestic resources, combined with the reduction of counternarcotics cooperation with the United States, likely eroded Argentina's narcotics interdiction capabilities in 2012. The Argentine government could focus its diverse interdiction efforts on targeted investigations, assigning more personnel and enhancing use of technology such as x-ray scanning equipment, to reduce the amount of drug traffic that is currently escaping attention. Likewise, the Government of Argentina could complement its recent radar deployments in the northern border areas with additional equipment and human resources to ensure that better detection of air shipments of narcotics crossing the Bolivian and Paraguayan borders results in increased interdiction on the ground. Argentina could also improve cooperation among federal and provincial law enforcement entities to enhance the country's effectiveness in combating the illegal drug trade. Further improving judicial efficiency in processing narcotics-related investigations and prosecutions would also be useful.

Volume II: Money Laundering and Financial Crimes

Countries/Jurisdictions of Primary Concern

Argentina

Argentine and international observers express concern that money laundering related to narcotics trafficking, corruption, contraband, and tax evasion occurs throughout the financial system. Observers also believe most money laundering operations in Argentina are conducted through transactions involving specific offshore centers. The most common money laundering operations in the non-financial sector involve transactions made through attorneys, accountants, corporate structures, and in the real estate sector. The widespread use of cash (including U.S. dollars) in the economy also leaves Argentina vulnerable to money laundering. Tax evasion is the predicate crime in the majority of Argentine money laundering investigations.

Argentina has a long history of capital flight and tax evasion. Traditionally, Argentina is an economy with strong links to U.S. currency. Many Argentines prefer to hold their savings in U.S. dollars and/or dollar-denominated assets as a hedge against the high levels of inflation and peso devaluation that commonly occur in the Argentine economy. Approximately 30 percent of the labor market is informal, and it is estimated that Argentines hold billions of U.S. dollars outside the formal financial system, both offshore and in country, much of it legitimately earned money that was not taxed. The general vulnerabilities in the system also expose Argentina to a risk of terrorist financing.

Argentina is a source country for precursor chemicals and a transit country for cocaine produced in Bolivia, Peru, and Colombia, and for marijuana produced in Paraguay. While most of the cocaine transiting Argentina is bound for the European market, virtually all of the marijuana is for domestic or regional consumption; there has been an increase in domestic drug consumption and production. Argentine officials also identified smuggling, corruption and different types of fraud as major sources of illegal proceeds. A substantial portion of illicit revenue also comes from black

market peso exchanges or informal value transfers. Informal value transfers occur when unregistered importers, for example, use entities that move U.S. currency in bulk to neighboring countries where it is deposited and wired to U.S. accounts or to offshore destinations. Products from the United States are often smuggled into Argentina, or the shipping manifests are changed to disguise the importer and merchandise. U.S. law enforcement agencies consider the tri-border area (Argentina, Paraguay and Brazil) to be a major source of smuggling, especially of pirated products.

The Financial Action Task Force's (FATF) third-round mutual evaluation report of Argentina found the country partially compliant or non-compliant with 46 of the then 49 FATF Recommendations. The Government of Argentina (GOA) developed an action plan to address the deficiencies, and has made substantial progress carrying out this action plan by passing, and at least partially, implementing several new laws. However, the effectiveness of these laws has not yet been demonstrated in terms of enforcement and increased convictions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:
YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, financial companies, credit unions, tax authority, customs, currency exchange houses, casinos, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, money remitters, charitable organizations, auto dealers, and postal services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 13,308 in 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, financial companies, credit unions, tax authority, customs, currency exchange houses, casinos, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, money remitters, charitable organizations, auto dealers, and postal services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 31: Unknown time frame

Convictions: 2: June - December 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Argentina is a member of the FATF and the Financial Action Task Force against Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/3/60/46695047.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On December 27, 2011, Argentina passed Law 26.734, which broadens the definition of terrorism, and increases monetary fines and prison sentences for crimes linked to terrorist financing. The law closes several loopholes in previous legislation, empowers the Argentine financial intelligence unit (UIF) to freeze assets, and criminalizes the financing of terrorist organizations, individuals, and acts. To date, this law has been used in human rights cases related to individuals wanted for criminal actions taken during Argentina's military dictatorships thirty-plus years ago. The law was used to freeze funds related to both the wanted persons and to family members and associates who allegedly provided the fugitives recent financial assistance. The UIF brought 44 such cases in the past year, and froze funds related to four individuals. While this does demonstrate that the law can be used to quickly freeze the assets, the investigation and prosecution of long-standing cases does not demonstrate an ability to detect and prevent ongoing or more current terrorist activities.

Argentine exchange houses are significantly more regulated than similar operations in other Latin American countries. However, in 2012 Argentina sharply limited access to foreign exchange in the formal market for most purposes, which drove most foreign exchange activities away from formal actors and into the informal sector. The market shift away from formal methods of exchange makes it difficult to evaluate the effectiveness of new regulations.

The UIF claims it made significant progress in formalizing transactions in the real estate sector, a significant area for money laundering operations. Its efforts were directed toward triangulating the reports of notaries, real estate agents, and real estate registrars to insure consistency. Consequently, there was a significant decrease in real estate sales in Argentina in the past year as these policies were implemented. However, it is difficult to determine if this change is due to increased difficulties in acquiring foreign currency (traditionally real estate in Argentina has been priced in U.S. dollars), an economic slowdown, or efforts to make money laundering through real estate more difficult. There was a significant increase in the number of STRs filed in 2011 when compared to 2010.

Notwithstanding these improvements, technical deficiencies and challenges still remain in closing legal and regulatory loopholes and improving interagency cooperation. Argentina demonstrated a commitment to expand the knowledge of personnel involved in fighting financial crime and a willingness to act on the results of those trainings. For example, after officials attended a sponsored training on money laundering using pre-paid credit cards, Argentina implemented new regulations to try to prevent this practice. The GOA is open to advice on structuring new legal frameworks from international organizations. Most of the challenges Argentina now faces are in implementing these new laws and regulations in a proper, non-politicized manner. There have been two convictions from 31 money laundering cases opened after the 2011 revision of the law criminalizing money laundering.

Argentina continues to update its legal structures with an eye toward meeting international standards. Going forward, Argentina should continue to address the implementation of these laws to demonstrate the effectiveness of its anti-money laundering/counter-financing of terrorism (AML/CFT) infrastructure. Argentina should also take steps to foster the principals of transparency and good governance, criminalize tipping off, foster a culture of AML/CFT compliance, combat corruption, insure the court system is efficient, and build high ethical standards for police officers, prosecutors

and judges, as well as professionals such as lawyers, accountants and auditors. Structural elements such as these are critical to establishing a functional legal and institutional AML/CFT framework.